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RR RUEHBC RUEHDE RUEHIHL RUEHKUK
DE RUEHGB #1177/01 0950511
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FM AMEMBASSY BAGHDAD
TO RUEHC/SECSTATE WASHDC 0575
INFO RUCNRAQ/IRAQ COLLECTIVE

C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 001177

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E.O. 12958: DECL: 04/03/2017

TAGS: ECON PGOV PREL IZ

SUBJECT: NAJAF CHAMBER OF COMMERCE BULLISH ABOUT GROWTH

Classified By: PRT Team Leader Mark Davison for reasons 1.4 (b) and (d)

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¶1. (U) This is a PRT Najaf cable.

¶2. (C) SUMMARY: In a March 24 meeting with PRT Najaf IPAOs, the President of the Najaf Chamber of Commerce and Provincial Council member, Mr. Zohair Shorba, identified the obstacles to Najaf's economic progress - lack of an investment code, inaccessibility of the province, dilapidated infrastructure, and a shortage of capital and technology - while sharing his fervent optimism about short and long-term growth prospects of the province. END SUMMARY

The Najaf Chamber of Commerce

¶3. (C) With over 27,000 members, the Najaf Chamber of Commerce is the oldest and largest Chamber in Iraq. (Comment: Its ranks are admittedly inflated; several neighboring countries require membership in the Chamber of Commerce before issuing a business visa. Others join the Chamber simply to obtain the permit to distribute goods to ration card holders. End Comment) The approximately 7,000 active members, however, are wholeheartedly engaged in the commerce of the province, which largely centers around religious tourism to some of the holiest sites in Shi'a Islam, including the Imam Ali Shrine.

¶4. (C) Companies pay an annual membership fee of 50 U.S. dollars. The Chamber's main source of revenue, however, is its mandatory certification of all goods leaving the province. The Chamber supports its members through educational outreach; for example, it has conducted a series of seminars about the new investment code and the proposed hydrocarbon law. It also advocates for policy reform at the provincial and national levels.

Obstacles and Avenues to Rapid Growth

¶5. (C) In a March 24 meeting Najaf PRT IPAOs, the President of the Najaf Chamber of Commerce and Provincial Council member, Mr. Zohair Shorba, said that the province had been historically neglected by the Iraqi government and investors for the last 35 years and had been particularly disadvantaged by Saddam Hussein, resulting in "zero infrastructure." Nevertheless, Shorba was effusive in his optimism for the economic future of the province and more recent Coalition infrastructure improvements. According to Shorba, the obstacles stunting Najaf's growth are currently being removed.

¶6. (C) Shorba said that since the occupation, domestic and

foreign investors have been anxiously awaiting Iraq's new investment code. No business person would invest capital until they clearly knew the terms of the controlling legal regime. Shorba said the reaction of the Najaf business community to the investment code has been very positive, and now that the law is being enacted, investors will have the surety they have been seeking.

¶17. (C) Given the insecurity of Baghdad and the extreme difficulty of overland travel, domestic and foreign investors have found Najaf to be inaccessible. Who would be willing to invest, Shorba rhetorically asked, if they can't travel to see their investment? This obstacle is being addressed, Shorba said, by the construction of the Najaf International Airport (Note: The progress of which is an ongoing topic addressed in PRT weekly sitreps. End Note). While another international airport may eventually be constructed between Najaf and Karbala, the Najaf airport will serve a vital function for the next five years and likely beyond.

¶18. (C) While Shorba said there was still a long way to go on the infrastructure of the province, he noted that most Najafis perceive post-occupation infrastructure projects as visible. Some smaller Provincial Reconstruction and Development Projects had served political ends, but forthcoming private investment would be more focused and this would meet true market needs. He noted a soft drink bottling plant in Kufa, which overcame the problem of intermittent electricity by installing a series of generators. He insisted that entrepreneurs would find similar solutions to the infrastructure problems they may encounter.

¶19. (C) Shorba expressed confidence that an abundant amount

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of capital is available, both within Iraq and abroad, for investments in Najaf. As Iraq adopts a positive investment policy, the money will begin flowing in. Money alone, however, will not be enough. Najaf also needs missing technology, which Shorba is confident will accompany the capital. He cited a recently opened water bottling plant, which was largely financed by Iraqis, while the technology was provided from Iran. While insisting Najaf's economic base will remain focused on religious tourism and the accompanying hospitality and entertainment industries, Shorba asserted that there is a strong growth potential in the province for similar light industries with imported technology.

¶10. (C) Shorba brushed aside concerns about violence and insecurity, explaining that if investors are worried about their investments, private insurance is available. He similarly dismissed concerns about corruption, insisting that 90 percent of corruption is caused by impatient private citizens looking to cut bureaucratic corners.

¶11. (C) Comment: Shorba's glowing forecast for Najaf's economic future is typical of a Chamber of Commerce booster. The province's dilapidated infrastructure remains a challenge, which continues to be addressed by the PRDC in projects supported by Economic Support Funds (ESF) and will eventually benefit from the much larger budget funds coming from the central government. The province is relatively stable and peaceful, and has been spared the inter-Shi'a violence currently consuming neighboring Diwaniyah province. Religious pilgrims will continue to add to the economy. We are also heartened that the province is forging a comprehensive development strategy that builds on its strengths while improving its infrastructure weaknesses. End comment.

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